(3)

No. 01-1319

IN THE

Supreme Court of the United States

C.R. BARD, INC.,
Petitioner,

v.

W. L. GORE & ASSOCIATES, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

PETITIONER'S REPLY BRIEF

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Gore is correct in asserting that this case arises from a contract dispute and is premised on diversity of citizenship jurisdiction. Gore is flatly wrong, however, in suggesting that Bard's Petition does not present a fundamental issue of federal law—*i.e.*, the scope of a federal court's "holding." Gore is equally wrong in asserting that there is no inconsistency between the highly cramped and mechanistic meaning given to that term by the lower courts here and the far more rational and lucid approach followed by the District of Columbia Circuit in *Teva Pharmaceuticals. Teva Pharms., USA, Inc. v. United States Food & Drug Admin.*, 182 F.3d 1003 (D.C. Cir. 1999).

When the two cases are compared, it is clear that the Third Circuit and the District of Columbia Circuit have adopted, *as a matter of law,* very different and intellectually irrecon-

cilable interpretations of the terms "held" and "holding." That the cases arose from dissimilar factual backgrounds does not diminish the significance of that fundamental inconsistency. The very notion of "holding" is a bedrock concept within our common law system. The intervention of this Court is necessary both to elucidate that concept and to correct a pernicious narrowing of its scope.

I. THE THIRD CIRCUIT AND THE D.C. CIRCUIT HAVE ADOPTED, AS A MATTER OF LAW, RADICALLY DIFFERENT MEANINGS OF THE TERM "HOLDING."

A. The Third Circuit Ruled As A Matter Of Law That The Holdings Of A Federal Court Include Only Those Conclusions Expressly Stated In A Rule 58 Judgment Document.

Gore's Opposition repeatedly stresses the fact that this case grows out of a contract dispute. This argument, however, overlooks the fact that the pivotal issue in the case was a matter of federal law: the scope and content of a federal court's prior "holding" on an issue of federal law (the invalidity of a patent). The Third Circuit, echoing the district court, ruled that the meaning of the phrase "holds invalid" is "clear and unambiguous," (App. 2a), and consequently that Gore was "entitled to judgment as a matter of law." (App. 4a.)

The Third Circuit's decision directly rejected the legal proposition advanced by Bard: that the holdings of a court decision can and should be determined by reference to the collateral estoppel effects of that decision. In so doing, the Third Circuit ignored the District of Columbia's specific endorsement of that approach in *Teva Pharmaceuticals,* as well as scholarly authority for the same proposition.

The Third Circuit's legal definition of "holding" is even more remarkable because it also rejected the view that a case

can ever have an *implicit* holding. The court's opinion recognizes as holdings only those matters "explicitly stated" in a court's "judgment." (App. 3a.) Indeed, not only must a conclusion be "explicitly stated" to count as a "holding," but it must also be stated in the ultimate Rule 58 judgment document to be so counted. (*Id.*) Under the approach followed by the district court and the Third Circuit, even findings and rulings explicitly stated in post-trial memoranda and opinions cannot be accorded the status of "holding" unless expressly repeated in the separate (usually one-page) judgment document required by Rule 58.

Bard submits that this approach is deeply flawed and inherently confused. Nor is such confusion a trivial matter. The principle of *stare decisis* and the doctrines of claim preclusion and issue preclusion turn in no small measure on how courts understand the holdings of prior cases. When this core concept is so fundamentally misunderstood, certain critical mechanisms of our legal system are threatened.

B. In Contrast, The D.C. Circuit Has Ruled As A Matter Of Law That "Holdings" Can Include Issues Encompassed By The Collateral Estoppel Effects Of A Court Decision.

The Third Circuit's confusion about what may and may not be considered a "holding" is highlighted by the D.C. Circuit's directly contrary ruling in *Teva Pharmaceuticals*. That court ruled—again as a matter of law—that the term "holding" is broad enough to include not only matters implicitly rather than explicitly stated, but also to include issues encompassed by the collateral estoppel effects of a court's disposition. *Id.* at 1008. In stark contrast to the Third Circuit's decision here, the D.C. Circuit observed that the concept of "holding" is not a rigid one, and proceeded to construe that term in the context of real world judicial decision making. *See id.* at 1008-09.

The fact that the *Teva* case involved a question of federal statutory interpretation does nothing to minimize the conceptual gulf that separates the Third Circuit from the D.C. Circuit on the question of what constitutes a federal court's "holding." The Third Circuit's analysis of the concept was not tied in any way to the particulars of New Jersey contract law; rather, it addressed the scope of the Arizona district court's prior holding in the Arizona Action as a matter of pure legal semantics, informed by the Federal Rules of Civil Procedure. Similarly, the D.C. Circuit's statements that holdings may be determined by reference to the collateral estoppel effects of a prior court's decision did not turn on the particular statutory context in which the term "holding" appeared. Rather, that court's analysis in the first instance proceeded, like the Third Circuit's, as an abstract matter of law. *See id.* at 1008-09.

In sum, Gore's assertions notwithstanding, it is clear that two sister Circuits have conceptualized the bedrock concept of "holding" in diametrically opposed fashions. There can be no doubt that if the Third Circuit had understood that term in the same way as the D.C. Circuit does, it would have decided this case very differently. The intervention of this Court is necessary to eliminate the confusion that currently clouds judicial thinking on this issue.

II. GORE'S MOOTNESS ARGUMENT IS BOTH WRONG AND BESIDE THE POINT.

In a final effort to minimize the fact that there is a very real inconsistency in the lower courts about the fundamental concept of "holding," Gore argues that this Court should refuse to review this case because granting the writ "would make no difference to the ultimate outcome of the underlying litigation." Opposition at 10. Gore contends that because Gore and IMPRA, the parties to the Arizona Action, eventually stipulated in 1993 to a vacatur of the 1990 Arizona

Final Judgment, the instant dispute is somehow "moot."[1] This argument is flawed in several respects.

First, neither the district court nor the Third Circuit reached Gore's "mootness" argument. Although that argument was briefed by both parties, both lower court decisions were premised entirely on their reductionist approach to the concept of "holding." Bard's Petition for a Writ of Certiorari asks this Court to review what *was* decided below. In effect, Gore is asking this Court to make a decision about an issue that was not decided by the lower courts, and to do so without any opportunity for full briefing.

Moreover, if this Court were even to entertain Gore's argument, it should recognize that the issue is not whether the 1990 Arizona Final Judgment continues to have collateral estoppel effect today. The issue, rather, is whether that judgment had collateral estoppel effect with respect to claim 36 at the time it was rendered, thus satisfying the condition of Paragraph 6.

The Paragraph 6 condition *was* satisfied at the time the Arizona case was finally decided, subject (as therein stated) to Gore's right to pursue a successful appeal from the final judgment. The contract did *not* provide that Gore could escape an adverse final judgment by purchasing a vacatur of that judgment. Moreover, no court could reasonably infer that the contracting parties could have intended that vacatur was a permissible escape route for Gore.[2]

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[1] After Gore appealed the adverse Arizona Final Judgment to the Federal Circuit, and after that appeal was fully briefed and orally argued, Gore and IMPRA reached a settlement in which Gore paid IMPRA a substantial amount of money to dismiss its counterclaims and procured IMPRA's agreement to a stipulated vacatur of the judgment.

[2] It was undisputed below that neither party gave any thought to the possibility of vacatur at the time of contracting, and that privately-procured vacaturs were not yet a common or well-known practice at that time.

A majority of federal appellate courts, including this Court, have been critical of privately-stipulated vacaturs. *See, e.g., U.S. Bancorp Mortgage Co. v. Bonner Mall P'ship.*, 513 U.S. 18 (1994); *Ringsby Truck Lines, Inc. v. Western Conf. of Teamsters*, 686 F.2d 720 (9th Cir. 1982); *Clarendon Ltd. v. Nu-West Industs., Inc.*, 936 F.2d 127, 129 (3d Cir. 1991). Indeed, no court has ever held that such a vacatur, whatever its effect as between the parties or with respect to future lawsuits, had any effect on the existing contractual rights of a third party such as Bard.

In sum, Gore's "mootness" argument is unfounded, and should not even be addressed on the limited factual and legal record currently before the Court.

CONCLUSION

This Court should act to dispel the confusion that manifestly exists within the federal court system concerning the scope of a federal court's "holding." For the reasons set forth in its original Petition and above, Bard requests that its Petition for a Writ of Certiorari be granted.

Respectfully submitted,

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